

**GOVERNMENT OF INDIA  
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES  
LOK SABHA**

UNSTARRED QUESTION NO:5002  
ANSWERED ON:24.04.2003  
TAXATION SYSTEM IN AUTO INDUSTRY  
T.T.V. DHINAKARAN

**Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:**

- (a) whether the present taxation system is seen as the major hurdle in the full growth of the auto industry;
- (b) if so, the details of taxation and the reasons for higher tax rates; and
- (c) the steps taken/proposed to be taken by the Government to encourage this industry?

**Answer**

MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI BALASAHEB VIKHE PATIL)

(a) Industry has been representing in favour of lowering the incidence of tax and introduction of Value Added Tax System for further encouraging the growth of this sector in India.

(b) The details of duty on various types of vehicles are as under:-

(i) Excise Duty:

| S.No. | Item                                  | Rate of Duty              |
|-------|---------------------------------------|---------------------------|
| 1.    | Cars and Multi Utility Vehicles (MUV) | 24%                       |
| 2.    | Other vehicles                        | 16%                       |
| 3.    | Chassis of bus and truck              | 16%+Rs.10,000 per chassis |
| 4.    | Other parts                           | 16%                       |

(ii) Custom duty:

| S.No. | Item                                     | Rate of Duty |
|-------|------------------------------------------|--------------|
| 1.    | Old car and two wheeled vehicles         | 105%         |
| 2.    | Completely Built Up Units (CBU) of above | 60%          |
| 3.    | Semi Knocked Down (CKD)                  | 60%          |
| 4.    | Completely Knocked Down (CKD) and parts  | 25%          |
| 5.    | Other vehicles                           | 25%          |

Apart from Excise and Custom duty as the case may be, a vehicle sold in India also attracts Central & State Sales Tax, local taxes, road tax besides registration and insurance charges. In case of customs duty, the rates on new and old cars are aimed at encouraging adequate value addition in the country. The growth rate in this sector during the last two years is 12.54% and 14.80% respectively.

(c) Announcement of Auto Policy in March 2002, gradual rationalization of incidence of taxation, increased budgetary allocation for research & development in this sector and India's joining of Working Party 29, a United Nations' outfit on Harmonisation of Standard (W.P.29) as its Observer Member are some of the recent measures that have been initiated by the Government to encourage the auto industry.